

Contract Audit Checklist

Enhance the effectiveness and accuracy of contract audits

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Introduction

In large enterprises that handle a substantial volume of contracts, contract audits may be necessary for various personas and departments to ensure compliance, mitigate risks, and optimize contract management processes.

Contract Audit is not the same as Contract Review!

A contract audit is typically only completed on a signed contract, whereas a contract review occurs on pre- and post-signature contracts. A contract audit is to determine whether both parties are meeting the terms and conditions of an agreement. Unlike a contract audit, a contract review is part of the negotiation process: making sure parties agree to terms that fit their company policies and positions. Contract reviews can be completed on individual or multiple contracts, whereas a contract audit involves numerous documents as an internal process.

The below-mentioned parameters and sub-bullets offer a comprehensive overview of contract audit requirements tailored to specific departmental roles and responsibilities.



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	Legal Department	
	Contract Compliance: Ensure that contracts adhere to legal requirements, industry regulations, and corporate policies.	☐
(a)	Regulatory compliance	☐
(b)	Contractual obligations	☐
(c)	Terms and conditions	☐
	Risk Mitigation: Identify and assess legal risks associated with contracts.	☐
(a)	Legal liabilities	☐
(b)	Dispute resolution clauses	☐
(c)	Indemnities and warranties	☐
	Contract Performance: Evaluate whether contracts are being executed as intended.	☐
(a)	Service levels and quality	☐
(b)	Performance metrics	☐
(c)	Deliverables and milestones	☐
	Contract Termination and Renewal: Review contract expiration and renewal provisions.	☐
(a)	Notice periods	☐
(b)	Termination rights	☐
(c)	Auto-renewal clauses	☐

	Finance Department:	
	Financial Compliance: Ensure that contracts align with financial regulations and standards.	☐
(a)	Revenue recognition	☐
(b)	Expense management	☐
(c)	Financial reporting compliance	☐
	Cost Management: Audit contracts to optimize costs and expenses.	☐
(a)	Pricing terms	☐
(b)	Payment terms	☐
(c)	Cost-control mechanisms	☐
	Billing and Invoicing: Review billing and invoicing accuracy.	☐
(a)	Invoicing processes	☐
(b)	Payment terms and schedules	☐
(c)	Billing disputes	☐
	Procurement Department:	
	Supplier Performance: Assess the performance of suppliers and vendors.	☐
(a)	Delivery times	☐
(b)	Product or service quality	☐
(c)	Supplier compliance with contractual obligations	☐

	Vendor Relationships: Ensure that contracts support positive vendor relationships.	
(a)	Communication channels	☐
(b)	Dispute resolution procedures	☐
(c)	Performance evaluation metrics	☐
	Risk Management: Identify and mitigate procurement-related risks.	☐
(a)	Supply chain disruptions	☐
(b)	Supplier solvency	☐
(c)	Compliance with procurement policies	☐
	Operations/Contract Management Department:	
	Contract Administration: Ensure that contracts are properly administered.	☐
(a)	Contract tracking and documentation	☐
(b)	Change order management	☐
(c)	Contract amendments	☐
	Compliance Tracking: Monitor ongoing compliance with contract terms.	☐
(a)	Key performance indicators (KPIs)	☐
(b)	Reporting requirements	☐
(c)	Audit rights and processes	☐

	Risk Management Department:	
	Risk Identification: Identify and assess contract-related risks.	☐
(a)	Legal risks	☐
(b)	Financial risks	☐
(c)	Operational risks	☐
	Risk Mitigation: Develop strategies to mitigate identified risks.	☐
(a)	Risk mitigation plans	☐
(b)	Insurance coverage	☐
(c)	Contingency plans	☐
	Internal Audit:	
	Control Assessment: Evaluate the effectiveness of internal controls related to contracts.	☐
(a)	Control weaknesses	☐
(b)	Fraud detection	☐
(c)	Compliance with internal policies	☐
	Data Accuracy: Ensure the accuracy and completeness of contract data and records.	☐
(a)	Contract data integrity	☐
(b)	Documentation completeness	☐

	Quality Assurance/Operations:	
	Quality Standards: Ensure contracts adhere to quality standards.	☐
(a)	Product or service quality specifications	☐
(b)	Compliance with industry quality standards	☐
(c)	Quality control processes	☐
	IT/Technology Department:	
	IT Contract Compliance: Ensure compliance with IT-related contracts, including software licenses and service-level agreements (SLAs).	☐
(a)	Software license compliance	☐
(b)	SLA adherence	☐
(c)	Data security and privacy compliance	☐

These parameters and sub-bullets provide a comprehensive overview of what various departments and parties may need to be a part of the contract audit process, depending on their specific roles and responsibilities within the organization. The exact parameters can vary based on the nature of the contracts, industry, and organizational priorities.

However, manual contract audit exercise can be time consuming and prone to human error.

Leveraging AI-powered metadata extraction has the potential to significantly enhance the effectiveness and accuracy of contract audits. By automating the extraction of key contract data, such as dates, obligations, and compliance metrics, and connecting the contract management process with Vendor Management and Accounts Payable Automation processes organizations can streamline the audit process, reduce human error, and gain deeper insights into contract performance.

AI-powered CLM solutions like Aavenir Contractflow not only strengthen the audit function but also empower organizations to make informed decisions based on a comprehensive understanding of their contractual obligations, vendor master data, invoice metrics and other contractual data in a connected environment.

Book a Demo

Manage your Contracts on ServiceNow

Are you willing to transform the contract process for faster time-to-signature, greater obligations compliance, and reduced business risks?

Get a custom demo of the Aavenir software and find out how you can manage your contracts for better business result.



About Aavenir

Aavenir revolutionizes age-old procurement processes with AI-enabled Source-to-Pay solutions, including RFPflow, Onboardingflow, Contractflow, Obligationflow, and Invoiceflow. Built on ServiceNow, Aavenir solutions streamline procurement, legal, and accounts payable work processes using the latest technologies such as AI, ML, and NLP to eliminate manual work, accelerate cycle time, and reduce dependency by offering smart suggestions based on historical data.

For more information, please visit www.aavenir.com

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Request for Proposal Management

Onboardingflow



Onboarding & Supplier Information Management

Contractflow



Contract Lifecycle Management

Obligationflow



Contract Compliance Management

Invoiceflow



Accounts Payable Automation

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www.aavenir.com

contact@aavenir.com

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